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ABSTRACT

The interaction of public assistance and student aid is examined, and the effects of these uncoordinated yet overlapping programs on individuals enrolling in postsecondary education programs are assessed. Focus is on the major financial support program, Aid to Families with Dependent Children (AFDC), and the most important student aid program, Basic Educational Opportunity Grants (BEOG). The ways in which aid is distributed under these programs is reviewed, and how receipt of aid from one source can reduce a family's support from another is pointed out. The exact outcome of this interaction is found to vary by state because of differences in each state's treatment of student aid in determining eligibility for public assistance. However, the net effect of BEOG awards is likely to be a reduction in the resources available to support the family, even when the student receives enough student aid to cover all direct and indirect educational expenses. In addition to these financial effects and their possible disincentives to college enrollment, the complex and uncoordinated systems of public assistance and student aid also hinder postsecondary planning. A number of changes in the programs are suggested, including uniform nationwide AFDC rules for treating student aid, making 18 to 21-year-old students independent of their families for student aid and AFDC purposes, ending AFDC policy of treating student aid funds differently according to their source, and providing better information to public assistance and student aid administrators about each others' programs and problems. (MSE)

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The Interaction of Public Assistance and Student Financial Aid

Nancy R. Mudrick

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College Entrance Examination Board
New York, 1980

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Summary

American families with very low incomes are given financial support through a number of cash and in-kind public assistance programs. A family member pursuing postsecondary education may also be the recipient of a variety of governmental and non-governmental student grants. Public assistance and student aid programs operate independently of each other, using different rules for calculating eligibility and assistance levels and for taking account of transfer payments from various sources. Despite this independence, public assistance and student aid programs have areas of overlap in that both sets of programs can provide money for paying the daily living expenses and instructional costs of post-secondary students.

This paper examines the interaction of public assistance and student aid, and assesses the effects of these uncoordinated yet overlapping programs on individuals who enroll in postsecondary programs. It focuses on the major financial support program, Aid to Families with Dependent Children (AFDC), and the most important student aid program, Basic Educational Opportunity Grants (BEOG). The paper reviews the way in which assistance is distributed under these two programs and points out how receipt of aid from one source can reduce a family's support from the other.

The exact outcome of this interaction varies by state because of differences in each state's treatment of student aid in determining eligibility for public assistance. To illustrate the uneven effects of program interaction, several families from one state (New York) are used as examples to show how benefits can fluctuate depending upon which family member is in school, whether the student lives at home or at college, and what kinds of other assistance he/she receives. The paper concludes with a discussion of the changes that could be made to foster program integration and an examination of the conceptual, fiscal, and operational problems associated with these changes.

Perhaps 200,000 to 300,000 AFDC recipients are attending college nationwide, a small fraction of total enrollment. These recipients represent a sizable proportion, however—perhaps as much as 20 percent—of postsecondary students from low-income families. Since low-income students are badly underrepresented in postsecondary education, any practices or policies that could discourage their enrollment are undesirable. For some AFDC families, disincentives to college enrollment may exist because of the way public assistance interacts with student aid.

In calculating eligibility for financial assistance, the BEOG program and most other student aid programs regard AFDC as family income. In practice, however, counting AFDC rather than disregarding it usually makes little difference, since families on public assistance in most states will have such low incomes that students are eligible for the maximum amount of student aid in any case. In deciding what that maximum amount should be, student aid administrators consider the total costs of education facing a student, including living expenses. Living expenses are usually considered to be the direct costs of room and board for students living on campus or a reasonable amount for a moderate standard of living off campus.

The AFDC program has varying rules that sometimes count student aid as family income and sometimes do not, depending on the state involved and the source of the assistance. Federal rules prohibit AFDC from counting *any* federal grants as family income in determining AFDC benefits. In many cases, however, AFDC will count state and/or institutional grants as income to the extent that they exceed direct instructional costs and (for residential students) costs for room, board, and perhaps other living expenses. Since student aid grants frequently cover allowances for personal expenses, travel, and so forth, the net effect on the family may be a reduction in the AFDC payment equal to the amount of student aid received for these non-instructional education expenses. Furthermore, AFDC benefits for families of commuter students may be reduced because the allowance for living expenses given by student aid is usually more generous than the poverty-level standard used in public assistance programs.

There are several consequences of this treatment of student aid by public assistance programs, as the examples from New York State demonstrate. The AFDC program is neutral as to the type of institution a student attends, since it allows actual tuition costs to be offset against student aid—no matter how high or low those charges. AFDC is not neutral, however, when it comes to residential versus commuting students. For example, a family with a student member who lives at home and receives student aid may find its AFDC benefits reduced since educational grant administrators recognize higher educational costs than AFDC is willing to allow. If the student lives on campus, however, the family may actually be better off than it was before. In this instance AFDC administrators will not count student aid as family in-

come since, with the student living away from home, this aid is not "available" to the family. Meanwhile, the family still receives AFDC benefits as if the student dependent were living at home.

A student who is an adult AFDC recipient instead of a family dependent may be eligible for extra educational benefits directly from AFDC. This occurs in cases where education is part of an approved plan for AFDC family heads who are required either to work or be enrolled in a school or training program. AFDC allows expenses such as child care as educational costs for such students so that these AFDC recipients may find themselves with increased income for consumption after enrolling in postsecondary education.

It is clear that the effects of the interaction of AFDC and student aid on individuals depend on the state in question, the amount and source of student aid, the residential or nonresidential status of the student, and whether the student is participating in education as part of an AFDC-approved plan. *Since two-thirds of AFDC students are dependent family members rather than family heads, and since most are likely to be enrolled in local colleges as commuter students rather than living away from home at residential colleges, the net impact on an AFDC family that has a member enrolled in college is likely to be a reduction in the resources available to support the family*—even when the student receives enough student aid to cover all direct and indirect educational expenses.

In addition to these financial effects and their possible disincentives to college enrollment, the complex and uncoordinated systems of public assistance and student aid also hinder postsecondary planning. It is practically impossible for an AFDC family to determine in advance what resources it will have available if one of its members goes to college, since public assistance benefits depend so directly on the exact nature of other assistance received. Not only will these resources not be known until the student is ready to enroll in school, but the family also will be unlikely to detect any errors that may be made as AFDC is adjusted to account for student aid benefits received. In some states, the complexity of the systems actually seems to have made some public assistance administrators hostile to student aid, since the complicated adjustments that result when AFDC and student aid interact make the already cumbersome process of determining AFDC eligibility even more difficult.

A number of changes could be made to foster better integration of public assistance and student aid. These include:

- uniform nationwide rules in AFDC and other public assistance programs for treating student aid;
- changes in student aid policies to account for expenses such as child care that AFDC recipients may face if they want to attend college;
- making 18- to 21-year-olds independent of their families for student aid and AFDC purposes;
- disregarding AFDC benefits as income when determining student aid eligibility;
- ending AFDC's policy of treating student aid benefits differentially depending upon their source;
- providing better information to public assistance and student aid administrators about each other's programs and problems.

These changes, however, raise complicated conceptual, fiscal, and operational questions, since public assistance and student aid programs have different objectives that are difficult to reconcile. They also beg the difficult question of which program—student aid or public assistance—should be responsible for the living expenses of students, expenses that are arguably in the domain of both programs.

Introduction

How difficult is it for low-income students from families supported by public assistance monies to finance postsecondary education? There is a plethora of state and federal programs designed to provide income maintenance to the poor and to aid needy persons in obtaining postsecondary schooling. Do these income maintenance and student aid programs complement each other, conflict with one another, or randomly complicate the achievement of their respective policy objectives?

This paper explores the interaction of income support programs and student assistance programs. The relationship is complex and erratic, involving the policies and practices of federal, state, and

private agencies as well as myriad separate programs. The emphasis here will be on the major welfare program known as Aid to Families with Dependent Children (AFDC) and the large student aid program known as Basic Educational Opportunity Grants (BEOG). The analysis draws heavily on policies and practices in New York State, although many of the conclusions to be drawn from the experiences there are generally applicable to other states as well. The paper concludes with a brief discussion of issues that would have to be considered in any attempt to improve the integration of public assistance and student aid policies.

Financial Aid for Needy Students

The BEOG program supplies need-tested aid to low- and middle-income students enrolled in programs of postsecondary education. Wholly federally financed, BEOG provides grants equal to one-half a student's total cost of education up to a maximum (in 1979-80) of $1,800 per year. Although eligibility for a BEOG is not explicitly related to income, it is based on "need," which is defined as the difference between what it costs to attend college and what the student and family are deemed able to spend for that purpose. Since the "expected family contribution" increases as income rises, eligibility for a BEOG vanishes when family income reaches $25,000 to $30,000.

Since BEOGs can cover only 50 percent of educational costs, recipients of these grants often need additional assistance from other federal, state, and local programs. A student's total financial aid "package" is frequently a mixture of grants, subsidized loans, and work-study earnings. Hence, the interaction of public assistance and BEOG cannot be analyzed without considering other sources of student financial aid. As is explained below, the rules governing the treatment of nonfederal student aid monies are a crucial aspect of the BEOG-AFDC relationship.

The BEOG program treats AFDC and other public assistance cash benefits as income and takes into account the size of these benefits when determining eligibility and grant size.[1] In-kind transfers, such as Food Stamps and Medicaid benefits, are ignored. Other student aid benefits are also ignored by the BEOG program, although the other programs may, and usually do, take a BEOG into account when determining the size of their awards.

Although this paper does not consider the treatment of public assistance payments by student aid programs other than BEOG, it is likely that most of them follow the procedures of the Uniform Methodology[2] and count such payments as income. Still, most families receiving public assistance have such low total incomes that their college-bound members are apt to be eligible for full financial aid, whether or not the transfer payments are counted as or exempted from income.

1. Social Security student benefits are also considered as income, but only one-half of a veteran's "G.I. Bill" benefits is counted.
2. The Uniform Methodology is a method of estimating financial need utilized by many schools and scholarship programs.

Public Assistance for Needy Families

The major source of public income support for needy children and their (usually single) parents is the AFDC program. Dating back to the passage of the Social Security Act in 1935, AFDC provides cash assistance to children who have been deprived of parental support due to the death, disability, or prolonged absence from the home of one or both parents. In more than 98 percent of AFDC families,

the father is the absent parent. In addition, states have the option of supplying AFDC benefits to two-parent families where the father is unemployed or underemployed.[3] Benefits are paid on a monthly basis and vary with family size.

The AFDC program is administered by the states, which also determine the size of the cash benefits. Benefits are financed by a combination of federal and state funds. Although federal laws and regulations prescribe various procedures that must be followed, many important policy decisions are made by the states. Hence, there is wide variation among the states in benefits, income accounting rules, and what might be termed the behavioral expectations placed on recipients.

As of June 1978, 3.5 million families containing 10.5 million persons were enrolled in AFDC. The maximum annual AFDC payment to a family of four ranged from less than $2,000 in Mississippi, Alabama, Georgia, Texas, Tennessee, and South Carolina to more than $6,000 in Hawaii and parts of New York and Michigan.

The program distinguishes between those recipients who are dependent children and those who are adult caretakers of such children. Adult recipients, depending upon their health and family responsibilities, may be required to seek and accept employment and/or training and counseling. Children between the ages of 16 and 18 may also be required to do so, unless they are "attending school full time." Children lose eligibility at age 18; if they are the youngest children in their families, the adult caretakers lose benefits as well. Children over age 18 remain eligible for AFDC benefits only if they are students "regularly attending a school, college or university, or regularly attending a course of vocational or technical training designed to fit [them] for gainful employment." Even for those in school, benefits stop with the twenty-first birthday. Persons under the age of 21 are considered adult recipients if they are the parents of dependent children.

Due to the requirement that 18- to 21-year-old children must be enrolled in either school or employment training programs in order to continue as

3. A 1979 Supreme Court decision held that when a state avails itself of this option—as half the states do at present—it must similarly aid two-parent families where the mother is the breadwinner and is persistently unemployed.

TABLE 1. AFDC Recipients in School, 1975*

	Number	%
AFDC recipient children aged 18-20 enrolled in school	169,964	61.6
AFDC mothers attending school or receiving training	99,302	36.0
AFDC fathers (in home) attending school or receiving training	6,800	2.5
Total in school	276,066	100.0**

*Estimate based upon weighted sample.
**Column does not add to 100.0 due to rounding.

TABLE 2. Percent of AFDC Children and Parents Enrolled in School by State, 1975

	AFDC Children		AFDC Parents	
State	*Children Aged 18-20 as % of All Children*	*% of Children Aged 18-20 in School*	*% of Mothers in School*	*% of Fathers in School*
California	3.4	80.9	3.1	2.3
Illinois	2.9	83.3	3.9	2.4
Iowa	2.7	89.3	3.8	1.1
New York	3.5	92.3	3.7	2.0
South Carolina	5.7	98.4	3.9	*
Texas	2.3	97.0	4.8	*

*No sample cases in this cell.

Source for Tables 1 and 2: Howard Oberheu, "Aid to Families with Dependent Children, 1975 Recipient Characteristics Study, Panel: Demographic and Program Statistics," U.S. Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics (September 1977).

AFDC recipients, it is not surprising that 88 percent of such recipients in 1975 are reported to have been enrolled in school. (See Tables 1 and 2.) Still, this represents only 170,000 persons, or 2 percent of all AFDC recipient children. In addition, 99,000 AFDC mothers and 6,800 AFDC fathers (in the home) were attending school or receiving training, making a total of 276,000 individual AFDC recipients who were either college-age children or parents attending school.[4]

It is clear that AFDC recipients comprise a small part of the total college population. Even if all 276,000 "students" shown in Table 1 were enrolled in college, they would constitute only about 2.5 percent of all college students. Still, this represents a significant proportion—perhaps 20 percent—of low-income college students. Thus, it is reasonable to conclude that educational aid programs designed for low-income students will frequently serve persons for whom the interaction between student aid and public assistance is salient and consequential.

These statistics indicate that a small, but nevertheless important, number of college students are potentially eligible for both AFDC and need-tested student aid programs. Of at least equal importance—particularly to policymakers concerned with equalizing educational opportunities and reducing dependency, and to institutions concerned with declining enrollment—the AFDC population contains a sizable number of children and adults for whom college might be considered an underutilized resource. (The number of AFDC recipient children in each single year age group in 1975 exceeded 400,000 from ages 1 through 14, shrinking to 339,000 at age 16, 128,000 at 18, and 12,000 at 20.)

Despite these apparent mutual interests, there is scant coordination between the policies governing AFDC and those governing BEOG. While each program has rules governing the treatment of benefits from the other, there is no formal communication between them and the administrators of each have little knowledge about the working of the other.

4. These data are somewhat unsatisfactory, particularly for purposes of analyzing the participation in and financing of postsecondary education. There is no way to judge how many 16- or 17-year-olds may have been enrolled in postsecondary institutions; how many 18- to 21-year-olds may still have been in secondary school; or how many of the enrolled parents were in postsecondary institutions as opposed to secondary schools or employment training programs that are not necessarily affiliated with formal educational institutions of any kind. Moreover, some number of adult recipients may have been attending school or college on a part-time basis but—since only one "employment status" could be designated—were recorded as employed, seeking work, incapacitated, or "needed in home full time as a homemaker."

Interaction of Program Benefits

The AFDC program has a complex and variable set of policies regarding the handling of educational aid funds. Some result directly from federal statutes, some from federal regulations, and some from state laws and practices. Not only are the policies determined at many levels, but they also specify different treatments for various sources and types of student aid.

Two general policies are clear, however. First, AFDC generally distinguishes between education grants that cover the cost of instruction and those that pay for living expenses. Aid for tuition, fees, and books is not treated as a resource available for the support of the household and therefore is not considered an addition to the family income. If the student lives on campus and pays room and board fees to the college, aid covering living costs may also be omitted from the calculation of family income. Any portion of student aid that exceeds these costs, as determined by AFDC standards and regulations, is deemed to be a resource and is considered in the determination of need for public assistance.

Second, federal law says that "any grant or loan to any undergraduate student for educational purposes, made or insured under any program administered by the Commissioner of Education" shall be exempt from being counted as income or as a resource in determining AFDC eligibility and amount of assistance. Since BEOGs fit that definition, they are not counted as income by the AFDC program. This means that regardless of the size of a BEOG, whether it finances instructional costs or living expenses, it cannot affect a family's AFDC benefit (although it reduces Food Stamp benefits to the extent that it exceeds instructional costs).

The federal law does not, however, specify how state or privately financed student aid payments are to be treated by the AFDC program. As a result, each state has developed its own policies for the handling of nonfederal student aid received by AFDC recipients. Although these policies vary in detail, they are similar in their basic provisions.[5] In general, states disregard any portion of a student aid grant, regardless of source, that is required to meet the costs of tuition, fees, books, and sometimes transportation. Any nonfederal student aid that is available to cover living expenses is considered to be income. This means that a family's monthly AFDC benefit is reduced dollar for dollar by the monthly value of student aid deemed to be available for living expenses (though some states take account of room and board fees paid to a college before reducing AFDC benefits).

Although BEOGs themselves may not be counted as income, receipt of a BEOG can affect the size of a family's AFDC payment if it is combined with nonfederal student aid. This is because the BEOG is applied against instructional costs first; only those instructional costs (if any) that remain after the BEOG is subtracted from them may be exempted from other student aid payments for purposes of AFDC income computation. It may not matter that nonfederal aid is defined as tuition assistance; it may still be treated as covering living expenses.[6] This means that education grants of sufficient size to cover both instructional and living costs (using the AFDC standard) may substitute for AFDC in the support of needy families.

While this kind of substitution may seem undesirable from the standpoint of student aid policy, it is rational in the context of income maintenance policy. Between 18 and 50 percent of every AFDC payment is supplied by state (and sometimes local) funds, and there is no single state in which this part of the budget is not under heavy pressure. Insofar as an AFDC payment can be reduced or eliminated, and the costs of supporting a dependent family can somehow be shifted to another source of funds, it is to be expected that AFDC administrators will do so. In like manner, the income maintenance workers of the AFDC program routinely send new applicants to the local offices of the Social Security Administration to see if they are possibly eligible for Supplemental Security Income (SSI) disability payments, as those benefits require a smaller state contribution.

5. This discussion is based on a telephone survey of public assistance agencies in seven states. (See Appendix.)

6. Some states treat their own grant monies in the same manner as BEOG. Texas, for example, does not reduce AFDC benefits for grants from the Texas Tuition Equalization Program. In New York, however, the Court of Appeals upheld the right of AFDC administrators to reduce AFDC benefits when a recipient's Tuition Assistance Program (TAP) grant, coupled with other aid, exceeds AFDC-defined educational costs. See *Lumpkin* v. *Department of Social Services*, 45 N.Y. 2d 351, 408 N.Y.S. 421, 380 N.E. 2d 249 (1978).

Calculation of Education Costs

The estimate of education costs used by public assistance agencies is the sum of "allowable expenditures." For commuter students, these usually include tuition, fees, books, and transportation. Parking fees, food at school, clothing, day care for children, and incidentals are seldom permitted.[7] When estimating a student's instructional costs, public assistance agencies use actual tuition, fees, and book expenditures, but employ a standardized scale for transportation costs and, when allowed, for such items as clothing and food. Student aid awards are based on entirely separate estimates of educational costs—ordinarily those made by the colleges themselves. If the cost estimate used for awarding student aid does not agree with the AFDC estimate of instructional and living costs, the AFDC grant may be adjusted accordingly.

One interesting consequence of AFDC's use of actual tuition charges is that welfare policy is neutral with respect to the type of college attended. Receipt of a tuition grant for a costly private university which is greater than the household's available income will not result in a lower estimate of

7. These expenditures are included in the public assistance estimate of the costs of education of students in school as part of the Work Incentive Program (WIN). The WIN program identifies AFDC recipients who have the potential to work and requires that they participate in a work plan that may include up to two years of education to prepare for employment.

need or a reduction in AFDC benefits. The latter are affected only if education grants exceed the AFDC program's estimate of a student's instructional costs.

All AFDC recipients are automatically eligible for Medicaid, and most also receive Food Stamps. Medicaid, a state-administered program of medical assistance to low-income persons, provides benefits "in kind" rather than in cash. It is not affected by student aid unless a participating family receives so much student aid that it loses AFDC eligibility altogether, in which case it could also lose Medicaid eligibility. The Food Stamp program has its own means test, however, and considers all sources of income in determining the amount of Food Stamps that an individual or family may receive. Educational loans, grants, scholarships, and the like are excluded from income "to the extent that they are used for tuition and mandatory school fees"; but insofar as they exceed instructional costs, they are counted as income and may lead to reduced Food Stamp benefits. As of 1979, student aid in excess of instructional costs may in some cases cause a family to lose its Food Stamp eligibility altogether.

Illustrations and Examples

So many variables shape the interaction between AFDC benefits and student aid that it is useful to illustrate their cumulative effect through specific examples. To this end, the following case studies present household income for four hypothetical families with both AFDC and student aid. The sample cases show total income available for student instructional costs and living expenses and for the regular needs of households, for families receiving AFDC, Food Stamps, and various packages of student financial aid. The examples are based on policies and programs in New York State in academic year 1976-77. While the case studies illustrate four different and fairly common combinations of educational costs, student aid packages, and public assistance benefits, they do not exhaust the range of circumstances that would affect, and be affected by, the interaction among these programs. The examples are limited to New York State for the sake of simplicity and to enable comparisons. Obviously, the exact dollar outcomes in other states may be different, although it is likely that many states follow the same general practices as New York.

The cases have been constructed to show the families' income from AFDC and Food Stamps prior to the receipt of any student aid. For simplicity it is assumed that the families have no other income, although it is not unusual for transfer payments to augment earnings or other income. Changes in family income are then shown as various types and amounts of student aid grants are added. The AFDC budget estimates are averages derived from the New York State manual for determining AFDC benefits. Education costs as they would be estimated by the AFDC and Food Stamp programs have been calculated with the assistance of welfare administrators using data collected by the College Scholarship Service (CSS) (Suchar, Ivens, and Jacobson, 1977). The BEOG definition of cost of education is embodied in the BEOG payment schedule issued by the United States Office of Education.[8]

Case 1: Dependent Child in Two-Year College Program, Lives at Home

Mrs. Thomas has two children and no source of income other than public assistance. When both of her children were under age 18 and in high school, the family had a monthly income of $389, composed of an AFDC payment and a Food Stamp benefit (Table 3, Example 1). Steven, the oldest, has turned 18 and entered a two-year community college. If he receives no financial aid for education (Table 3, Example 2), the only change in household income is a possible increase in the Food Stamp benefit resulting from the need to pay tuition (thus reducing the family's net income for purposes of Food Stamps). No such increase is made in the AFDC cash payment.

In Example 3 in Table 3, Steven receives a BEOG of $1,108 for the academic year. Receipt of the BEOG does not affect the family's AFDC benefit; however, because the total BEOG exceeds the

8. It should be borne in mind that these examples are for the 1976-77 academic year and do not reflect the changes in the Food Stamp eligibility regulations that were made in early 1979.

TABLE 3. The Thomas Family

Monthly Income during Academic Year for Mother, Two Children, No Nontransfer Income, 1976

	No Children over 18 in School	One Child in Two-Year Junior College, Lives at Home[a]			
Resources	*Example 1*	*Example 2*	*Example 3*	*Example 4*	*Example 5*
AFDC[b]	$361	$361	$361	$312	$270
Food Stamps[c] (bonus value)	$ 28	$ 48	$ 19	$ 18	$ 18
BEOG			$123	$123	$123
NYS TAP				$ 79	$ 79
Other ed. grant					$ 42
Total real monthly income	$389	$409	$503	$532	$532
Minus BEOG est. ed. costs[d]	NA	$246	$246	$246	$246
Consumption income for family of 3	$389	$163	$257	$286	$286

[a] Tuition is $715 a year. Total cost (CSS estimate) is $2,196.

[b] AFDC grants are reduced for amounts in excess of allowed education expenses. AFDC estimates the total educational cost at $1,373 annually ($153 per month for a 9-month school year). Annual costs include tuition ($715), books (the exact amount spent, here assumed to be $190), transportation (an allowance of $270), and lunch (an allowance of $198).

[c] Food Stamps allows only tuition as an education expense.

[d] BEOG estimate for students not in institutional housing is sum of tuition ($715), $400 for books, and $1,100 for other living and commuting expenses. In this case, the total is $2,215 for the academic year.

cost of tuition ($715), the Food Stamp benefit is reduced. Tuition grants are the only education aid that the Food Stamp program exempts from countable income.

Example 4 in Table 3 indicates that Steven has received a New York State Tuition Assistance Program (TAP) grant. This causes the Food Stamp benefit to drop to a minimum and reduces the AFDC benefit. Since the total of Steven's education aid exceeds the education expenses allowed by AFDC, the monthly AFDC benefit is reduced by an amount equal to this excess ($49).

It is important to remember that BEOGs cannot be counted as income in order to reduce AFDC benefits. State grants such as the New York State TAP can be so counted, however, and can lead to a reduced AFDC benefit if the combination of BEOG and state grant exceeds educational costs as defined by AFDC. In Steven's case an excess of BEOG plus TAP over educational costs up to $79 monthly will reduce his family's AFDC payment by a like amount. The AFDC grant will not be reduced by more than $79, even if the excess is higher, because that would require counting the BEOG as income.

In Example 5 in Table 3, Steven also receives a privately financed grant. Again, the AFDC benefit is reduced by the size of this grant because it appears to provide money for living expenses which the AFDC program interprets as reducing the need for public assistance.

The examples in Table 3 illustrate several of the complex issues which result from the interaction of student financial aid and public assistance. One such issue is the appropriate cost of education against which to estimate grant size and welfare benefits. The AFDC program has one estimate (in this case $153 a month) while the BEOG program has a different one ($246 a month). The institution and CSS may use other estimates. Each of the agencies concerned with the interaction uses its own estimate to determine the size of its grant. Thus, the estimate of consumption income available after the costs of education

have been accounted for is very much a function of whose measure of educational costs is used.

A second point worth noting is that the consumption income of the household is lower with Steven in school and receiving financial aid than prior to his college enrollment. This may discourage college attendance by children whose families depend upon public assistance.[9]

Case 2: Dependent Child in Four-Year Public College, Lives in Dormitory

The Stimpson family has two children, one of whom is about to enter a four-year undergraduate program at a state college. Eleanor plans to live in the dormitory at the college, which is 100 miles away. While she is still in high school, her family has a monthly real income of $389, which includes AFDC and Food Stamps (Table 4, Example 1).

After Eleanor starts college, she lives away from home for nine months of the year. However, because she returns during school vacations and for the summer, both the AFDC and student aid programs still consider her a member of her mother's

9. It should be noted, however, that "consumption income" is net of educational costs as measured by BEOG; these educational costs include living expenses as well as tuition. In Example 2, if *only* the $79 per month (on a nine-month school year) of tuition costs were subtracted from "total real income," the family would have $330 in "consumption income." The other examples—where student aid is supplied—would show an *increase* in consumption income. Consumption *expenses*, however, also would be higher since Steven as a college student would be incurring expenses (commuting, eating meals on campus, etc.) that he did not have as a high school student.

TABLE 4. The Stimpson Family

Monthly Income during Academic Year for Mother, Two Children, No Nontransfer Income, 1976

	No Children over 18 in School	One Child in Four-Year Public College, Lives in Dormitory[a]		
Resources	*Example 1*	*Example 2*	*Example 3*	*Example 4*
AFDC[b]	$361	$361	$361	$361
Food Stamps[c] (bonus value)	$ 28	$ 18	$ 20	$ 20
BEOG[d]		$156	$156	$156
NYS TAP[e]			$ 97	$ 97
Other ed. grant[f]				$ 98
Total real monthly income	$389	$535	$634	$732
Minus BEOG ed. costs (incl. rm. & bd. in dorm.)	NA	$318	$318	$318
Consumption income for family of 2	NA	$217	$316	$414

[a] Tuition is $875 a year. Total cost (CSS estimate) is $3,159.

[b] AFDC estimates the total educational cost at $2,998 ($333 a month): Annual costs include tuition ($875), books ($201), room and board (exact amount—$1,583), transportation (exact amount for necessary travel—$204), and necessary incidentals ($135).

[c] Food Stamps allows only tuition as an education expense. In Examples 3 and 4, Food Stamps does not consider the student as part of the household; room and board are provided by education grants. The $20 benefit is for a household of two.

[d] BEOG of $1,400 for the academic year.

[e] Grant for full tuition of $875.

[f] Other grant of $885 to enable grants to cover full annual cost of education as defined by the college.

TABLE 5. The Rosario Family

Monthly Income during Academic Year for Mother in School, One Child, No Nontransfer Income, 1976

	Mother at Home with 2-Year-Old-Child	Mother Enters Four-Year Public University[a]				
Resources	*Example 1*	*Example 2*	*Example 3*	*Example 4*	*Example 5*	*Example 6*
AFDC[b]	$295	$295	$240	$198	$193	$140
Food Stamps[c]	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20
BEOG[d]		$132	$132	$132	$132	$132
NYS TAP[e]			$ 97	$ 97	$ 97	$ 97
Work/Study[f]				$100	$100	
Other ed. grant[g]						$100
Total real monthly income	$315	$447	$489	$547	$542	$489
Minus BEOG est. ed. costs	NA	$264	$264	$264	$264	$264
Consumption income for family of 2	$315	$183	$225	$283	$278	$225

[a] Annual tuition is $875. Total cost (CSS estimate) is $2,961 annually.
[b] AFDC allows tuition, books, transportation, and lunch for a total education cost of $174 monthly.
[c] Food Stamps allows only tuition as an education expense. $20 is the minimum benefit for a family of two.
[d] The total BEOG award is $1,188 (one-half the BEOG estimate of total cost).
[e] TAP for full tuition of $875.
[f] Work/Study of $100 per month (10 hours per week at $2.50 an hour). This is considered a grant and is not counted as income by AFDC in Example 4. In Example 5, it is considered instead as earnings; therefore, amounts above the allowable exemption of the first $30 and 1/3 of the remaining $70—that is, $23—are counted as income. AFDC benefits are reduced by $47.
[g] This education grant covers part of the education costs and living expenses.

household. In Example 2 in Table 4, Eleanor receives a BEOG of $1,400 ($156 a month). This does not affect the AFDC benefit, although it does reduce the Food Stamp benefit to the legal minimum because BEOG exceeds the cost of tuition. With monies from the BEOG included, the family's total real income exceeds the BEOG estimate of Eleanor's education costs by $217 a month. This is the amount that Eleanor's mother and sister will have to live on while Eleanor is away at school.

Examples 3 and 4 in Table 4 illustrate how the Stimpson family's income changes as Eleanor gets first a New York State TAP grant and then an additional private grant. In both cases, the AFDC grant is unaffected. Because Eleanor's education aid is used to finance school (including room and board) away from home, none of it is considered by AFDC to be available for the family's consumption. At the same time, the AFDC program continues to treat Eleanor as a member of her family's household and pays a three-person household benefit.

Although not illustrated in the examples in Table 4, it is possible for Eleanor to become independent of her family. In this case, she would no longer to able to return home during the summer and receive the support of AFDC. Independence is defined differently by AFDC and the financial aid programs. The AFDC program will immediately treat any 18-year-old who desires to be independent and is not living in the household as no longer dependent on the household (or AFDC). The financial aid programs require that students receive no parental financial assistance for one or two years prior to the period for which they desire aid as an independent student. As a result, Eleanor's financial aid grants would be unaffected for that period if she declared herself independent of her mother's

household. Her family's AFDC grant would immediately be reduced to a two-person benefit, however.

Case 3: AFDC Mother in a Four-Year College Program

Maria Rosario is a single mother with a two-year-old child. Because she has a child under six years, the AFDC program does not require that she seek employment or enroll in school. However, Maria is interested in obtaining a college degree and has enrolled in a four-year undergraduate program at a public university. Example 1 in Table 5 shows Maria's total real income prior to enrolling in school.

Because her annual dollar income is low ($3,540), Maria is eligible for a BEOG of $1,188—half the estimated cost of her education. The receipt of the BEOG does not affect Maria Rosario's AFDC benefit (Table 5, Example 2). Additional monies are, in fact, required to meet the full cost of education. In Example 3 in Table 5, Maria receives a tuition grant from New York State. Because the combined BEOG and TAP exceed AFDC's estimate of allowable education costs, the AFDC benefit is reduced by the excess.

Examples 4 and 5 in Table 5 illustrate the effects of College Work/Study monies on Maria's income. In 1976 the federal government began to let states choose whether Work/Study was earnings or a grant authorized by the U.S. Commissioner of Education and therefore not to be counted as part of family income by AFDC. The federal AFDC law states that recipients may retain (exempt from countable income) the first $30 and 1/3 of the re-

TABLE 6. The Brown Family

Monthly Income during Academic Year for Mother in "Approved" School Program, One Child, No Nontransfer Income, 1976

	Mother at Home with 10-Year-Old-Child	Mother in Two-Year "Approved" Junior College Program[a]			
Resources	*Example 1*	*Example 2*	*Example 3*	*Example 4*	*Example 5*
AFDC	$295	$295	$295	$295	$261
Food Stamps	$ 20	$ 20	$ 20	$ 20	$ 20
Ed. costs paid[b] by AFDC		$212	$ 89	$ 10	0
BEOG[c]			$123	$123	$123
NYS TAP[d]				$ 79	$ 79
Other ed. grant[e]					$ 44
Total real monthly income	$315	$527	$527	$527	$527
Minus BEOG est. ed. costs	NA	$246	$246	$246	$246
Consumption income for family of 2	$315	$281	$281	$281	$281

[a] Annual tuition is $715. Total cost (CSS estimate) is $2,215.
[b] AFDC costs include transportation ($30 per month), lunch ($22 per month), child care ($60 per month), books ($21 per month), and tuition (exact amount).
[c] Annual award of $1,108 or $123 monthly.
[d] For full tuition.
[e] Grant of $396 to cover full cost as estimated by BEOG.

mainder of their monthly earnings.[10] Above this amount, earnings are "countable" and reduce AFDC benefits. In Example 4 in Table 5, Work/Study is treated as a federal grant and is totally exempted. In Example 5, Work/Study is treated as income under the "$30 and 1/3" rule.

When Work/Study is exempted (Table 5, Example 4), the AFDC grant is reduced by the total of the New York State TAP, the only "countable" education grant. This is not the full amount of the excess of education grants over AFDC's estimate of educational expenses, but it is the maximum amount by which AFDC may reduce its grant. In Example 5 in Table 5, the AFDC grant is reduced by $47 (2/3 of the $70 which remains after the first $30 exemption) plus $55 (the excess of the combined BEOG and TAP over the AFDC estimate of education costs). In other words, the $100 of Work/Study is not applied against education costs in Example 5. Rather, it is treated in the same manner as the earnings of recipients not in school. It is interesting to note, however, that in this case the reduction in AFDC benefits is nearly equal regardless of whether Work/Study monies are treated as earnings or as a grant.

Finally, in Example 6 in Table 5, Maria Rosario receives a privately financed grant of $100 a month. This grant, like the New York State TAP, serves to reduce the AFDC benefit if total education aid exceeds the AFDC estimate of education costs. This is what happens in Example 6. The $100 is deemed available for living support, thus reducing the need for AFDC.

Case 4: AFDC Mother in "Approved" Junior College Program

Sharon Brown is a single mother with a child over the age of six and is dependent upon AFDC for her income. Because her child is over six, Sharon is required to participate in any job training and/or work arranged for her by AFDC. She and her caseworker develop a plan (an "approved" program) to assist her in obtaining employment that requires two years of junior college as a business major prior to entering the labor market. Because the AFDC program in effect requires that Sharon go to school, it pays the full cost of her tuition, books, transportation to and from school, and child care in addition to the regular AFDC benefit. Example 1 in Table 6 shows the Brown family's income before Sharon starts school. It consists of a regular AFDC benefit and a Food Stamp benefit. In Example 2 in Table 6, the monthly value of AFDC's training benefit is added to the household's income.

Sharon receives a BEOG of $1,108 (Table 6, Example 3). Although the BEOG does not affect her basic AFDC grant, it does reduce the AFDC training benefits. The receipt of a New York State TAP grant (Table 6, Example 4) further reduces the AFDC training benefit by allowing all but $10 to be completely offset by the combined BEOG and TAP grant. Finally, Sharon receives a privately financed education grant. The effect of this grant not only reduces the AFDC-financed education benefits to zero, but also reduces the basic AFDC grant by the excess of the education monies over estimated education costs. Receipt of non-AFDC education funds affects the composition of Sharon's income but does not affect the total. This is because the grants function as a dollar-for-dollar offset against the AFDC funds.

10. Work expenses are also subtracted from countable income after applying the "$30 and 1/3" rule. The 1979 amended Food Stamp regulations also provide for the deduction of monies (not to exceed $75) for expenses incurred for the care of dependent children while their primary caretakers are at work or in school.

Factors Affecting Student Budgets

The preceding four cases do not exhaust the range of possibilities. However, they do illustrate some of the primary effects and areas of conflict that result from an overlap of programs. These areas are: (1) differing estimates of education costs and reasonable living expenses, (2) widely varying amounts of public assistance living funds due to the varied treatment of education aid from different sources, (3) incentives and requirements which seem both to encourage and discourage postsecondary education, and (4) different treatment accorded adult and child recipients, as well as students living at home or in institutional housing.

A basic issue in the treatment of education aid by AFDC is the discrepancy between what public assistance programs and what the colleges and grant programs deem necessary educational expenditures. Public assistance programs are con-

sistently unwilling to duplicate the monies for living expenses provided through education grants. One effect of this policy is that the living standard of recipients enrolled in school is equivalent to that of other recipients of public assistance, not that of other students. Educational funds cannot be used to supplement that standard of living up to the level deemed necessary by the education community.

It is clear that, for any given student or family, the actual interaction between public assistance and student aid programs depends greatly on the sources and amounts of student aid. Federal education funds (except, at state option, for Work/Study) do not count directly against AFDC grants, regardless of their amount. If state and privately financed grants exceed instructional costs and can cover living expenses, they are deemed to reduce the family's need for AFDC. Even when such nonfederal grants are awarded with the intention that they be used for educational costs, they may be considered living expense monies by AFDC if the student's instructional costs are fully covered by exempt federal grants.

Federal public assistance policy encourages young persons to enroll in college by providing funds to dependent children beyond their eighteenth birthdays only if they are enrolled in school or job training. The AFDC program does not, however, supply any additional funds to cover the educational costs of these dependent children. Thus, other student aid programs play a potentially important role in enabling low-income persons between the ages of 18 and 21 to avail themselves of postsecondary education. It is not possible to measure directly whether the enrollment of 18- to 21-year-old AFDC recipients has increased since the BEOG program began, as there are no detailed statistics on the college attendance of AFDC recipients. However, the proportion of 18- to 21-year-olds among all AFDC recipients did not change between 1971 and 1977 (DHEW 1971, 1979). This means that any change in the number of 18- to 21-year-olds was proportional to changes in the entire caseload. Since students in that age range are not an increasing part of the caseload, it seems likely that their numbers have not been much affected by the availability of BEOG.

The one explicit educational policy of the AFDC program, and the one source within AFDC of additional funds for educational expenses, arises from the requirement that adult recipients not caring for young children or seriously ill adults be available for job training and employment under the provisions of the WIN program.[11] The Social Security Act outlines the basic rules at the federal level, but the states are given some discretion in implementing them. Hence, an AFDC recipient who is a student can expect different treatment with respect to the work requirement, depending on his or her state of residence. In all states it is possible for recipients to use a BEOG to support a two-year degree or vocational training program. In some jurisdictions, any two years of school are allowable or encouraged as part of the employment plan; in other states, only the first two years are allowable.[12] State policy also dictates whether the employment plan for an AFDC recipient includes completion of a bachelor's degree.

When an AFDC recipient is required to participate in education or training as part of an approved employment plan, and when the type of education program conforms to the terms of AFDC and WIN, the recipient's approved educational costs are fully paid for by AFDC—unless those funds are "replaced" by other education grants. Recipients not subject to the work requirement do not experience any restrictions on the type of education they can obtain, nor do they receive any additional money from AFDC for educational purposes. Because adult AFDC recipients, as well as 16- and 17-year-olds not enrolled in school, are subject to the work and training requirements, they are able to receive educational aid financed by public welfare. As a result, adults and teenaged children in AFDC families experience quite different treatment.

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11. Certain other categories of adult recipients are also exempt from WIN registration. Children above the age of 15 must register with WIN unless they are full-time students. Since children themselves lose AFDC eligibility when they turn 18 *unless* they are enrolled in school, this requirement affects only 16- and 17-year-olds.

12. Because of the scarcity of jobs for AFDC recipients, many are unemployed for months or years. A recipient in this position may spend his/her time pursuing a bachelor's degree as long as no bona fide offers of employment are refused without cause. It is unlikely that those enrolled in school would be forced to quit to take a job. In fact, some states quietly ignore the work requirements for dedicated students in the third or fourth year of a bachelor's program.

Impact of the Interaction between BEOGs and AFDC

The foregoing analysis shows that the interaction of public assistance and student aid programs produces some unintended consequences and raises some vexing issues. These may be labelled the financial effects, the incentive effects, the effects of administrative complexity, and the effects on equity. Each will be briefly examined below. Although they do not prevent or explicitly discourage college attendance among public assistance recipients, these combined factors tend to make this educational pursuit difficult.

Financial Effects

Because postsecondary education is so expensive, it is very difficult, and perhaps impossible, for persons supported by public assistance to take part in it unless the added costs are fully covered by financial aid from some source. Nor is it reasonable to expect the ordinary monthly AFDC check to cover instructional costs. Even in states with relatively generous benefit levels, public assistance provides barely enough for essential living expenses. There is no state in which the maximum AFDC grant is large enough to cause campus financial aid officers or the federal BEOG program to expect any family contribution from AFDC recipients.

Although student aid programs do not count on public assistance payments to cover any part of the costs of postsecondary education, public assistance programs do encourage the substitution of student aid monies for AFDC benefits. As shown above, this varies with the nature and source of the education aid. Federal BEOGs—our major concern here—cannot be considered as resources available to families for the purposes of determining AFDC eligibility and benefit size. BEOGs can affect AFDC benefits, however, when they are received in combination with other aid, specifically any aid except grants administered by the Commissioner of Education. Student aid funds are disregarded by the AFDC program insofar as they cover the costs of education that are unique to students, but when they cover noninstructional expenses they are viewed as a substitute for public assistance. It does not matter that a commuting student's living expenses may be greater than the cost of supporting a nonstudent residing at home.

Incentive Effects

It does not appear that the availability of BEOGs has encouraged postsecondary participation on the part of public assistance recipients. It is true that the enrollment in school of an 18- to 21-year-old child may lengthen the period during which the child's household receives AFDC (assuming that there are no younger children). It is also true that the amount of AFDC benefits going to an otherwise eligible family would be reduced if that family's 18- to 21-year-old children did not enroll in school. It is also the case that BEOGs and other student aid programs may provide the funds to enable such a child actually to participate in postsecondary education. There even seems to be some financial benefit to AFDC households where the child is on full student aid and lives in a dormitory, because the family's AFDC payment remains intact although the number of persons actually living in the household is reduced.

Despite these apparent incentives, however, few teenage AFDC recipients are in school. This may be because such potential students choose to become independent of their parent's household or because they are not aware that they can afford to go to school through a combination of educational aid and public assistance.

Adult recipients of AFDC face a more difficult situation, should they wish to attend college. For example, those not affected by the work-and-training requirement will incur education-related expenses (such as child care) which are not covered by student aid monies. Also, those required to register for work and training may receive additional financial assistance, but only if they take part in an "approved" program. Because the AFDC-WIN programs, particularly since 1972, emphasize direct job placement of public assistance recipients rather than education and training, it is likely that the potential availability of BEOGs has had little effect on the postsecondary school attendance rates of adult public assistance recipients.

Administrative Complexity

It is unlikely that prospective students who are also AFDC recipients can accurately estimate the effects

of BEOGs (and other student aid) on their family income. It may even be difficult for them to determine whether they will have enough money to pay for their direct educational expenses. Such difficulty could be expected of anyone faced with overlapping regulations as intricate as these. This inability to estimate the net effect of multiple programs also means that recipients probably cannot tell whether the payments they actually receive are correct. It is not unlikely that errors are made by the aid-giving agencies since each agency and program has its own set of rules and procedures. Such errors are probably most likely within the public assistance programs because they have the most complex and detailed regulations. The likelihood of error is probably compounded by the fact that so few AFDC recipients attend school that agency personnel have limited experience with the resulting budget calculations.

The potential for error arises from the varied treatment of different educational grants. Accurate budget calculations require that caseworkers fully understand the distinctions among educational funding sources and the educational cost estimates made by various student aid programs. The survey made for purposes of this paper revealed that Illinois is perhaps the only state to make a special effort to inform its welfare caseworkers about the various student aid programs. Thus, the typical caseworker is probably not very knowledgeable about student financial aid. In fact, caseworkers usually require recipients to find their own educational assistance and refer them to campus aid officers for that purpose. Yet another problem arises because AFDC and Food Stamps have different policies toward student aid. This makes the total effect even more confusing, both for recipients and for agency staff, especially when the same agency is administering the two programs.

Administrative complexity also seems to influence the *attitude* of state welfare agencies toward student aid. As a matter of fact, the attitudes of some of the agency workers surveyed bordered on hostility. This is because student aid grants create added problems in the verification of income and need, a difficult task under normal circumstances, and the regulations may give AFDC recipients attending school incomes that are greater than those of recipients not in school—including those who are working. On the other hand, some state public assistance agencies seem grateful that student aid grants are available. This is especially true of low-benefit states where programs such as BEOGs are seen as a supplement to public assistance, and as something that may help in time to reduce or eliminate welfare dependency.

Equity

The interaction between AFDC and student aid produces certain inequities among households, which result from the different treatment of educational grants by the various public assistance programs. Because AFDC disregards education aid which is federally financed, but indirectly counts it when it is combined with grants from other sources, recipients with identical BEOGs and educational costs may experience dissimilar changes in their net incomes. Also, the different ways of determining allowable educational costs for children and adults and for those required to work or exempted from that requirement, mean that equally needy recipients receive different amounts of income for school and living costs. These differences were exacerbated (prior to 1979) by the inconsistent treatment by the Food Stamp program of AFDC and non-AFDC recipients. Although the new Food Stamp law specifies that all persons, regardless of public assistance status, be subject to a simple income-related means test for purposes of determining Food Stamp eligibility, the previous practice assured AFDC recipients a minimum Food Stamp allotment, even if student aid pushed the total income above the Food Stamp eligibility point.

Program Integration

There is obviously a case to be made for better integration of income maintenance and student aid policies. The current situation makes it virtually impossible for prospective students to make informed judgments about the resources that they and their families will have if they enroll in school. Such information may be particularly important to students choosing among different types of institutions. Low-income persons have tended to enroll in low-cost colleges, especially community colleges.

Perhaps matriculation in four-year institutions would be facilitated if the financial impact were easier to gauge.

It is worth considering several policy changes that would make the calculation of benefits easier, simplify the lives of those affected, and produce greater equity and rationality in the system. It is also worth considering changes that would create stronger incentives for low-income persons to attend college and make it financially easier for them to do so. However, each such suggestion is fraught with difficulties—conceptual, fiscal, or operational—and these are weighed below along with the benefits that might be gained from changing the system in various ways.

1. Public assistance programs could all adopt the same rules regarding the treatment of student aid. This would mean agreeing on a uniform list of allowable educational expenses, and counting or exempting all student aid payments in the same way. There could be a common definition of both the type and the magnitude of necessary educational expenses in order to simplify the calculation of need and income by both educational and welfare agencies. A clearer classification of educational costs would also diminish the distinction—or at least the confused treatment of the distinction—between instructional costs and living expenses.

One obstacle to doing this is the divided governmental jurisdictions within the public assistance domain. The federal government sets the rules for Food Stamps and Supplemental Security Income, but AFDC and Medicaid are both viewed as shared federal-state responsibilities and the states have considerable leeway to administer them as they see fit. Until there is a national income maintenance program (and a national health insurance program), it is difficult to impose national norms on state-administered programs, particularly where the result would be to increase state expenditures.[13]

A related problem is that public assistance programs ordinarily hold their recipients to a low, even marginal, "standard of living" whereas education agencies estimating attendance costs are apt to use either the college's posted prices or an average figure based on what might be termed a "middle-class" standard of living. Although it is not reasonable to expect the latter to assign lower costs to students whose families receive welfare, neither would it be easy for the administrators of public assistance to employ cost estimates designed for the "typical" college student.

2. There are some situations in which welfare recipients considering college will face expenses that are not ordinarily included in "cost of attendance" calculations made by college officials, need analysis services, and the Office of Education. Perhaps the largest of these is child care because most AFDC adult recipients are single parents. If the suppliers of student aid wish to make postsecondary education financially accessible to welfare recipients, these costs need to be included among those eligible to be covered by student assistance payments. Currently, the need to purchase child care only affects the BEOG calculation of the family contribution insofar as it can be considered one of the costs of employment that justifies an employment allowance (half of wages up to $3,000) for single heads of households and second wage earners in a family. Child care expenses are not included in the costs of attendance upon which BEOG awards are based.

The inclusion of expenses such as child care in "cost of attendance" estimates would assist not only AFDC recipients, but also other older persons who are expected to comprise a growing proportion of all college students. Since many of them will have minor children, this issue should be resolved "in the general case" by those providing and administering student financial assistance. The increasing number of women who are low-income single parents and who wish to obtain or complete postsecondary education as a means of increasing potential earnings makes such a change crucial, especially since these women are most at risk in becoming welfare recipients.

3. One obvious simplification of the relationship between public assistance and student aid programs would be to end AFDC eligibility for 18- to 21-year-old students and deem them to be independent for purposes of both student aid and welfare computations. Several drawbacks would need to be considered in advance, however.

First, unless young students are truly independent of their parents, they will probably return to their families' homes during vacation periods. However, it may be impossible for public assistance households, already living close to the margin, to maintain living space for students while they are absent unless they are considered as members of the household and some public assistance monies are provided on their account. Moreover, funds would have to be provided from some source to feed them and pay other necessary costs during the periods they are residing at home, since student aid is seldom calculated to cover 12-month maintenance expenses.

Second, many students receiving public assis-

13. The reader should bear in mind that in all the hypothetical family examples given above (Cases 1-4), any reduction in AFDC payments resulting from increased student aid means a savings to the state of $0.18 to $0.50 per dollar.

tance, although young, also have young children of their own. If such students are to be fully funded through educational sources, provision must be made for the support of their children. Unless the educational grant also includes provision for the living expenses of dependent children, public assistance must remain their major source of support, and the households will continue to be affected by the interaction of student aid and AFDC policies.

4. It would be desirable from several standpoints if need-based transfer payments such as AFDC were *not* counted as income for purposes of determining eligibility for (and the amount of) student aid. This would have little practical effect on most AFDC families, as welfare benefits are so low that no "expected family contribution" usually results, even when such benefits are deemed to be income. However, it might boost the student aid received by students in families with both earned income and welfare income. Such families are particularly apt to be found in "high benefit states." At least in the abstract, current policy "punishes" those states with the highest welfare benefits by creating a situation in which some portion of those benefits could supplant student aid that would be forthcoming if the welfare payment did not count as income.

5. Two policy changes are possible to remedy the inequities which result from the different treatment of federal and nonfederal student aid. The more generous of the two would require the states to disregard all student assistance payments, whatever the source. This would maximize the additional resources available to a family receiving public assistance if a member of that family wanted to attend college, and would thus maximize the incentive for and accessibility of postsecondary education. The alternative would be to limit the exemption to "educational expenses," whatever the source of the aid money, and require all states to adopt a reasonable and consistent definition of educational expenses. The definition should include a sufficient allowance for the added costs of living at home while going to school, in order to allow welfare recipients to receive student aid to cover the college living arrangement best suited to their educational and personal needs without the fear that acceptance of the aid might reduce family income.

6. Welfare caseworkers should be better informed about student aid programs and should be expected to supply advice and information to families with children (or household heads interested in college attendance). Similarly, campus student aid officers and others responsible for the provision and administration of student financial assistance should be better informed about the procedures and requirements of public assistance programs.

Conclusion

Underlying all such "practical" considerations is a fundamental question of public policy: who is responsible for the living expenses of low-income students? Public assistance programs feel justified in lowering their benefits when educational aid is available to pay living expenses. They do not view this as "education subsidizing welfare" (Tormes, 1978). In fact, public assistance officials are concerned that in many cases welfare subsidizes education. The conflict arises with special force where different "standards of living" are applied by the two sets of programs. In general, colleges and student aid officials assume higher living costs for students, whether they are living in dormitories or "off campus," than the standard ordinarily provided to welfare recipients. Should public assistance programs be expected to adhere to these higher estimates and allow student aid monies to supplement the welfare standard rather than supplant a portion of the welfare benefit? This would assure public assistance students a standard of living comparable to that of other students, but would create fresh inequities among welfare recipients.

It may be possible to modify policies and procedures to make student aid and public assistance interact more smoothly and comprehensibly. It seems less likely that we will achieve any satisfactory resolution of the basic philosophical questions about the responsibility for, and the adequacy of, support for persons who receive public assistance as well as student financial aid.

To what extent should the provision and financing of postsecondary education be separated from the provision of basic living support? This touches on an issue that has been debated since the inception of public assistance. That is, to what extent should the welfare system merely relieve the distress of the needy or attempt to alter the situations which created that need? Students dependent

on public assistance are caught between the long-run social objective of education as a means to upward mobility and reduced dependency, and the short-run desire to use all available resources in order to reduce the current costs of welfare.

Appendix
The Seven-State Survey of Public Assistance Agencies

In order to determine how public assistance programs, in practice, handle the interaction with educational grant programs, a telephone survey of public assistance administrators in seven states was undertaken. The survey required contacting analysts responsible for state AFDC policy in California, Illinois, Iowa, New York, South Carolina, Texas, and Washington.* Food Stamp and SSI program administrators in New York State were contacted also.

The phone survey was based on an open-ended questionnaire. The topics covered included: (a) the treatment of federal vs. state and private educational aid by AFDC, Food Stamps, or SSI for eligibility and benefit determination; (b) the treatment of Work/Study funds; (c) the treatment of children aged 18-21 in school (especially with regard to termination at age 21); (d) the use of educational grants by recipients and their sources of information about such grants; (e) the relationship between work requirements and school attendance; and (f) other aspects of the interaction which are beneficial or problematic for the agency or its clients.

The respondents were also asked for any statistics they might have on the number of child and adult recipients in postsecondary programs. Few had any such statistics, however.

*These states were chosen in consultation with the College Board.

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